

Plaintiffs' Exhibit 118

Message

From: Jonathan Bellack [jbellack@google.com]
Sent: 2/1/2017 2:39:24 AM
To: Aparna Pappu [apappu@google.com]
CC: James Giles [jimgiles@google.com]; Chris LaSala [chrisl@google.com]; Jerome Grateau [jgrateau@google.com]; Max Loubser [maxl@google.com]; Josh Cohen [joshcohen@google.com]; Pooja Kapoor [poojakapoor@google.com]
Subject: Re: Achir knows about Hearst

Winner winner chicken dinner

-- Jonathan Bellack / jbellack@google.com
Director, Product Management / Publisher Ad Platforms

On Tue, Jan 31, 2017 at 9:15 PM, Aparna Pappu <apappu@google.com> wrote:
Audience guarantee via trade desk possible in q2

On Jan 31, 2017 7:21 PM, "Jonathan Bellack" <jbellack@google.com> wrote:
The DSPs really want addressability in deals -- PNG or partial guarantees or whatever we are calling it these days. Sam has been trying to convince Omnicom to do it through our pipes instead of HB. They are on Trade Desk so Audience Guarantees with DBM don't get it done.

On Jan 31, 2017 7:18 PM, "Jim Giles" <jimgiles@google.com> wrote:
Then it is effectively ADX/EB and it just becomes a value vs price question for us.

On Tue, Jan 31, 2017 at 7:10 PM Jonathan Bellack <jbellack@google.com> wrote:
What if Amazon's server solution allows DSPs or networks?

On Jan 31, 2017 7:04 PM, "Jim Giles" <jimgiles@google.com> wrote:
Interesting rumors -- given the moves towards server side integrations, seems the DSPs may be too late.

On Tue, Jan 31, 2017 at 10:38 AM Jonathan Bellack <jbellack@google.com> wrote:
A few more things I heard at IAB:

- Talked to the Hearst TV guy, he is a big fan of ours. He estimates that if he turned off AdX he would lose 30% of programmatic revenue, because every other SSP is second-string. So he really does not want Magazines to mess up what he's doing.

- Rumor (from an AdX buyer) that the other exchanges are very aware that consolidation is coming, and so they are all making really aggressive pricing offers to get big enough to be the one that survives the crunch.

- Rumor (from an AdX buyer) that the DSPs are very serious about trying to get out of exchanges and work through header tags.

-- Jonathan Bellack / jbellack@google.com
Director, Product Management / Publisher Ad Platforms

On Tue, Jan 31, 2017 at 8:22 AM, Chris LaSala <chrisl@google.com> wrote:
Way to thread the needle Josh! But agree that the market will eventually tell us what the value of RPO, malware protection, etc are. The question is how do we get there. How much do we have to see it from pubs before we can claim that the 'market' feels a certain way, vs a 'few large, noisy pubs' feel this way.

More to come this week.

On Mon, Jan 30, 2017 at 10:11 PM, Josh Cohen <joshcohen@google.com> wrote:

Not to split the difference here, but....I think both parts of this argument are correct: 1) we absolutely need to do a better job of articulating/proving the unique value prop of DRX. Lots to do here from PR, surfacing these insights in product, etc. and 2) even if we do so, market forces are going to continue to put pressures on our 20% cut and we need to be more aggressive in how we go after strategic inventory, i.e., let's not just cut our prices across the board but let's not also dig our heels in for important deals.

No comment on whether Hearst fits that bucket or not.

Huge +1 to the context of Achir's comments given my far more limited interactions with him.

On Mon, Jan 30, 2017 at 6:45 PM, Jim Giles <jimgiles@google.com> wrote:

I think like Aparna said, our best shot is reporting the benefit from every optimization we do -- RPO, DRS, EDA, eco, etc as well as any other statistics we can share about protections that we provide (malware stopped, blocks applied, etc). Without doing that, all we really give publishers to compare is price. If we are better, then we can demand more, and if we aren't, then shame on us and we need to work harder. I understand there are limits to that -- how much better do we have to be to demand 50 to 100% premium -- but I think we also haven't provided enough transparency to test how far we can push it.

On Mon, Jan 30, 2017 at 5:16 PM, Jonathan Bellack <jbella@com> wrote:

Yes, I think it is about relative value rather than absolute. If everyone else is at 20 we can justify 20. We never originally intended to have AdX as a premium over other exchanges, that was market price. Now that Index is at 10% and AppNexus is offering 5% at least as a promotion, the question is whether we can defend a 50% or 100% premium (15-20% vs 10%). That is the highest premium old DFP was ever able to get over OAS or other ad servers.

I do not think it is feasible to try to defend a 3-4x premium (15-20% vs 5%) on third party AdX buyers.

On Jan 30, 2017 4:18 PM, "Chris LaSala" <chrisl@google.com> wrote:

This is the crux of the debate (or at least one of them) this week when we meet. If we don't believe that we can prove the value of DRX as a YM platform nor the value of DBM on DRX as being 'better', then holding price in the face of AN pressure will be challenging.

We need to explore if we believe that we can prove to the market that our pipes are materially better than others, such that it can command 20 cents on every ad dollar.

On Mon, Jan 30, 2017 at 3:04 PM, Jonathan Bellack <jbella@com> wrote:

I think it's going to be hard to prove those values. How do we prove that other systems have a lot of malware and we don't, if we won't reveal all the details of how we do malware detection?

-- Jonathan Bellack / jbella@com
Director, Product Management / Publisher Ad Platforms

On Mon, Jan 30, 2017 at 11:56 AM, Aparna Pappu <apappu@google.com> wrote:

Yes - it's an API based home grown RPO that he claimed in the past outperforms us - Forbes believes him because there is no A/B and or data from lift.

FWIW I do not think for a minute it is extortion - the value we add is

- DRS, RPO, EDA v3 (I've forgotten it's new name), Selective/Efficient callouts

- Malware protection - in my mind this is HUGE and worth 15% itself - we need to do a FAR better job of calling out the impact of what we do here

Things we need to improve on

a) showing the value of the opt work in the product itself

b) better blogs/PR not sure what else to talk about the widespread badness in programmatic and hwo AdX solves for that

On Mon, Jan 30, 2017 at 12:24 PM, Max Loubser <maxl@google.com> wrote:

Agree with Jim re. "dumb pipes", based on the same DLS conversation and others with Achir over several years. He seems to put a lot of effort into justifying the existence of an elaborate YM system built by him on top of DFP+AdX. I don't recall all the details, but my impression has consistently been that the YM techniques that he uses introduce a number of inefficiencies wrt. pacing and allocation with EDA. it is based on manipulating the priorities of DFP line items with the API to attempt to influence EDA competition.

On Mon, Jan 30, 2017 at 11:59 AM, Jim Giles <jimgiles@google.com> wrote:

When I talked to Achir at DLS last year, I felt like he was a bit of an outlier in terms of his expectations of what DFP/ADX should be. For example, he was pushing hard on the idea of publishers having very precise control over pacing, and I very much got the sense that he didn't want us or trust us to be doing optimizations of any kind on his behalf. It seemed like what he wanted from us is dumb pipes, which is consistent with the view that we shouldn't be charging much.

I'm not making a comment about whether we should or shouldn't charge less -- just that I think his comments come from the perspective that we should be dumb pipes, which I think is not what we want for the product.

On Mon, Jan 30, 2017 at 10:51 AM, Jonathan Bellack <jbellack@google.com> wrote:

Read what is below. Achir is the head of all ad ops and yield stuff at Forbes.

----- Forwarded message -----

From: Laurent Cordier <laurentc@google.com>

Date: Sat, Jan 28, 2017 at 6:48 AM

Subject: Re: Achir knows about Hearst

To: "Cc: hearst-partnership@google.com" <hearst-partnership@google.com>, Jonathan Bellack <jbellack@google.com>, Justin Pang <justinpang@google.com>, Medha Vedaprakash <medhav@google.com>, Nathalie Sajous <nsajous@google.com>

Cc: Adam Hellman <hellman@google.com>

This is not surprising, unfortunately.

+JB

Jonathan we have a meeting with Achir (and his boss Mark Howard) Monday morning. I asked to add you - hope you can make it.

L

On Sat, Jan 28, 2017 at 7:41 AM Justin Pang <justinpang@google.com> wrote:
+FYI: Laurent/Medha/Nathalie

Thanks, Dor. This is excellent intel.

When I chatted with Mike yesterday he mentioned Achir has been "snooping around his site" using Charles sessions and noticed that some pages aren't calling AdX. Mike made it sound like he didn't tell Achir about the Hearst Magazines AdX shut-down ploy so I don't think they are colluding.

Your comments below resonate strongly with what we've heard from Hearst and may be a rising sentiment in the overall market. Several of us will be at the IAB conference next week and we will see if any similar messages are reiterated.

Achir thinks that our Rev share on the OA is "extortion" he is not married to anyone and as soon as a better solution comes along he will jump on it. Unlike Hearst and Mike he is 100% focused on optimizations and revenue. Achir said that he can understand a 20% rev share on AdWords but he doesn't understand why we charge 20% on regular AdX buyers.

The consistent narrative that is gaining momentum in the market and reiterated by the DCN is that "Google/FB are eating all the digital ad growth and we, publishers, are left to pick up the scraps". AdX rev-shares appear to be the first front of this battle of publishers vs. Google.

Best,
Justin

On Fri, Jan 27, 2017 at 5:19 PM, Dor Zaidenberg <dorz@google.com> wrote:
Hi all,

First of all, let me begin by saying that Achir approached me saying "so... Mike is making money without AdX ha?" By no means I said anything about the contract negotiations, I did not share Mike Smith's rev share demand or anything of that sort.

I asked questions like - "what do you think Mike is trying to get?", "what would you do?"

This is what Achir told me

1. He thinks that Mike Smith doesn't care about the fact that Hearst is losing money. Achir said "you can probably shoot every fifth person at Hearst and they probably won't even notice that" - meaning - Hearst can afford losing money Mike doesn't care. If we have data that says he loses \$20K/day that is nothing to him his motive is different.
2. Achir thinks that if Mike is not going to the IAB (Achir thinks Mike is still going, only not taking part in the panel) its not because of us, he must have had a good reason not to go
3. Achir thinks that Mike will be able to ask someone from Hearst to "generate a report" that will make it look like he is not losing money, he can present it and tell everyone. Then - Technical people like Achir will be able to see through it, but a lot of people will follow him
4. Achir thinks Google will be in a tough spot in a situation like this. He says that in general we are viewed as a necessary evil, and that people will believe Mike if he says he could ditch us
5. Achir thinks that our Rev share on the OA is "extortion" he is not married to anyone and as soon as a better solution comes along he will jump on it. Unlike Hearst and Mike he is 100% focused on optimizations and revenue. Achir said that he can understand a 20% rev share on AdWords but he doesn't understand why

we charge 20% on regular AdX buyers. He is working with Mediamath on an S2S solution to skip middlemen all together. He thinks that as a big fish he can negotiate better contracts separately with all buyers and everyone bids through everywhere he doesn't understand why we charge 20% and he repeatedly asks us for better rev shares

Let me know if you have any questions

Best,
Dor



- **Dor Zaidenberg**
- Senior Technical Account Manager,
gTech Publishers
- dorz@google.com
- [+1 203 430 8278](tel:+12034308278)